

**MINUTES
of the
FIRST MEETING
of the
INVESTMENTS AND PENSIONS OVERSIGHT COMMITTEE**

**June 11, 2008
State Capitol
Santa Fe**

The first meeting of the Investments and Pensions Oversight Committee for the 2008 interim was called to order by Senator John Arthur Smith, chair, on Wednesday, June 11, 2008, at 10:00 a.m. at the State Capitol in Santa Fe.

Present

Sen. John Arthur Smith, Chair
Sen. Joseph J. Carraro
Rep. Larry A. Larrañaga
Rep. Henry Kiki Saavedra
Rep. Jim R. Trujillo
Rep. Luciano "Lucky" Varela

Absent

Rep. John A. Heaton, Vice Chair
Rep. Donald E. Bratton
Sen. Phil A. Griego
Sen. Carroll H. Leavell
Sen. Mary Kay Papen

Advisory Members

Rep. Andrew J. Barreras
Sen. Carlos R. Cisneros
Rep. Miguel P. Garcia
Bob Gish, Public Employees Retirement
Association (PERA)
Adam Levine for Gary Bland, State
Investment Council (SIC)
Rep. Patricia A. Lundstrom
Olivia Padilla-Jackson, State Board of
Finance
Rep. John Pena
Rep. Jane E. Powdrell-Culbert
Sen. H. Diane Snyder
Rep. Eric A. Youngberg

Sen. Pete Campos
Sen. Stuart Ingle
Bob Jacksha, Educational Retirement
Board (ERB)
James Lewis, State Treasurer
Sen. Leonard Lee Rawson
Sen. Michael S. Sanchez
Rep. Sheryl Williams Stapleton

Staff

Michelle Aubell, Legislative Finance Committee (LFC)
Doris Faust, Legislative Council Service (LCS)
Norton Francis, LFC
Cleo Griffith, LCS
Wayne Propst, LFC
Doug Williams, LCS

Guests

The guest list is in the meeting file.

Interim Legislative Committee Protocols

—Paula Tackett, Director, LCS

Ms. Tackett reviewed interim committee protocols, beginning with the establishment of a quorum and the exceptions to the quorum rule. She also reviewed the rules with respect to voting, noting that only voting members may vote and that, in the case of a roll call, only the vote of voting members will be recorded. Ms. Tackett cited the "blocking" provision as it applies to voting.

Ms. Tackett encouraged the committee to accept the recommended meeting dates in order to avoid conflicts.

Senator Smith noted that he wants potential witnesses cleared by the committee chair.

Representative Varela stated that staff need to control the witness list and prevent last-minute additions to agendas.

Discussion and Adoption of Interim Work Plan

—Doug Williams, LCS

Mr. Williams reviewed the tentative work plan. In addition to the items listed, the committee will review New Mexico Finance Authority bond financing, the composition of the New Mexico Retiree Health Care Authority (RHCA) Board, problems with unreconciled payroll records at the PERA and a report concerning volunteer firefighters' retirement benefits.

The committee adopted the work plan, meeting dates and locations.

Review of Committee-Sponsored 2007 Legislation: HB 184 (State Treasurer), HB 198 (Investments and Pensions Oversight Committee), SB 67 (RHCA) and SB 150 (SIC)

—Cleo Griffith, Staff Attorney, LCS

Ms. Griffith reviewed the status of legislation sponsored by the committee during the 2008 session. She noted that the only bill that became law was the state treasurer's legislation relating to the local government investment pool.

Senator Smith applauded Senator Carraro on his initiative in creating the Investments and Pensions Oversight Committee (IPOC).

Mr. Propst summarized the retiree contribution increase approved by the RHCA Board. He also noted that, in the opinion of the RHCA counsel, the present structure of the fund is substantially equivalent to an irrevocable trust.

Review of Investment Performance

—Norton Francis, Chief Economist, LFC

Total fund investment returns ranged between negative 5.5 percent and negative 6.9 percent for the quarter, lagging their respective benchmarks across the board. The Land Grant Permanent Fund and the Severance Tax Permanent Fund, both managed by the SIC, lost 5.6 percent and 5.7 percent, respectively. The ERB returned a negative 5.5 percent while the PERA reported the largest decline at a negative 6.9 percent return. The PERA notes that this third-quarter performance, 157 basis points below its benchmark, was the worst in its history. The agency attributes the underperformance to a benchmark primarily to its fixed-income portfolio.

Mr. Gish noted that the PERA is short of its eight percent goal on an annual basis. He stated that only five percent of assets are invested in alternative investments. He said that these past two quarters are the worst in the past 10 years. The PERA's asset allocations remain unchanged. Diversification is functioning to protect the PERA's assets.

Senator Carraro asked if the LFC has evaluated the performance of state investments in hedge funds. Mr. Francis responded that the LFC has been evaluating hedge fund performance and that the second quarter report should be available in one week.

Representative Varela requested a second-quarter performance report from the ERB, the PERA and the SIC at the committee's August meeting.

The committee adjourned at 12:00 noon.